VZCZCXYZ0000
RR RUEHWEB

DE RUEHLGB #0224 0860645
ZNR UUUUU ZZH
R 260645Z MAR 08
FM AMEMBASSY KIGALI
TO RUEHC/SECSTATE WASHDC 5197
INFO RUEHNR/AMEMBASSY NAIROBI 1167
RUEHDR/AMEMBASSY DAR ES SALAAM 1082
RUEHJB/AMEMBASSY BUJUMBURA 0268
RUEHKM/AMEMBASSY KAMPALA 1850
RUEHFR/AMEMBASSY PARIS 0444
RUEHKI/AMEMBASSY KINSHASA 0403
RUEHDS/AMEMBASSY ADDIS ABABA 0160
RUEHLO/AMEMBASSY LONDON 0190

UNCLAS KIGALI 000224

SIPDIS

SIPDIS

DEPARTMENT FOR AF/C
DEPARTMENT PASS USTDA: EEBONG
DEPARTMENT PASS USTR: WJACKSON
DEPARTMENT PASS COMMERCE: RTELCHIN
DEPARTMENT PASS OPIC: BCAMERON
ADDIS FOR LISA BRODEY

E.O. 12958: N/A
TAGS: EFIN ECON PGOV EINV ENRG ETRD EPET BTIO RW
SUBJECT: IMF POVERTY REDUCTION AND GROWTH FACILITY ARRANGEMENT REVIEW

¶1. A recent IMF mission concluded a two-week Poverty Reduction and Growth Facility (PRGF) review with an overall assessment that Rwanda's economy continues to perform well, reaching 6 percent Gross Domestic Product (GDP) growth in 2007. This was the IMF's fourth review under the three-year arrangement.

¶2. At a March 18 briefing, the IMF identified the main challenge for the Rwandan economy as maintenance of macroeconomic stability and low inflation in the face of increasing international prices, higher transport costs of imports and scaling up in government spending. The review gave special attention to the impact of higher transport costs for imports and exports, stemming in part from higher energy prices as well as higher costs resulting from civil strife in Kenya, through which most goods transit to and from this land-locked country. Releasing a portion of Rwanda's strategic oil reserves helped mitigate the impact of higher energy costs on the economy, but refueling the stocks could significantly increase government spending.

¶3. Additionally, the impact of higher food prices - the Food and Agriculture Organization reports that last year the cost of food rose almost 40 percent globally - was reviewed. A bumper harvest from the just-conclude short-rains "A" season, estimated at fourteen percent above last year's harvest, is good news for the Rwandan consumer. Normally a net food importer, the IMF indicated this may be the first year for some time that Rwanda does not have to import basic food stuffs. Despite transport, energy and food price increases, inflation declined and remained in single digits by the end of the year. The IMF team forecasted GDP growth in 2008 between 5.5 percent and 6.5 percent, although Government's projection is closer to 7 percent. The review concluded that the economic policy performance was satisfactory with the GOR's fiscal program broadly on track, despite an up-tick in the latter part of last year.